NEW SPECIAL NEEDS LOAN PROGRAM FROM THE CALIFORNIA HOUSING FINANCE AGENCY

The California Housing Finance Agency has established a new Special Needs Loan Program. Populations for this program are broadly defined to encompass individuals and families not usually considered eligible for supportive housing programs.

Interest rates under the Program are set well below prevailing rates, to as low as one percent (1%). Other and terms and conditions are determined on a case-by-case basis depending on tenant incomes, the percentage of very low income tenants served, and available financing from other sources. Loan funds can be either taxable or tax-exempt.

Permanent loans are fully amortizing, and the Agency must be in first position. The project must be able to support the CHFA permanent loan, even if at a very low interest rate. All subordinate financing must be repaid from residual receipts with due dates equal to or longer than CHFA s loan. Annual operating funds are based on a realistic budget with pre-funded reserves. The term is flexible, and can range from 5 to 30 years.

The Agency will also make Tax Credit Bridge Loans, for a term of up to 5 years. The Agency will make Tax Credit Bridge Loans with or without an accompanying CHFA Permanent Loan. The Agency will make "stand-alone" Tax Credit Bridge Loans for special needs projects that cannot support any permanent debt. The Agency will require an assignment of the partnerships interest in the tax credits, and limit "stand-alone" Tax Credit Bridge Loan to the lesser of 95% of the appraised value, or 80% of the estimated value of the tax credits.

Because CHFA is aware that the funding for the special needs services aspect of a project can often be short-term and may not be renewed. In the event that subsidy funds for supportive services become unavailable, the Program will allow the Borrower to convert their special-needs project to a more traditional low-income rental project, with a corresponding decrease in the interest rate subsidy.

While guidelines for the Program have a minimum of prescribed requirements, the projects must meet six basic criteria:

a. Serve a clearly defined special needs population requiring a stable, long-term supportive housing environment. This includes, but is not restricted to individuals with mental and physical disabilities, individuals and families undergoing substance abuse recovery or in danger of becoming homeless, and those living with HIV/AIDS.

b. A committed source of special needs service funding managed by a competent, experienced special needs provider. Service funds must be available for at least five years with a realistic potential for renewal or replacement.

c. A solid capital improvement financing plan that meets the funding requirements for project development, reserves and contingencies.

d. An experienced low-income housing development team.

e. A borrower with a proven track record of delivering quality services to the project's special needs population.

f. Locality funding is strongly recommended.

The following six loans have either been funded or committed to date under the Program:

Village Place: The project was rehabilitated to provide permanent housing for individuals leaving the sponsor's **(St. Vincent de Paul)** transitional programs. Fifty percent of the tenants have incomes at 21% of median income, and 50% of the tenants incomes at or below 42% of median income. Additional project income was derived by converting the first floor to school use. A pre-funded reserve was established to convert the classrooms to residential units when the school district lease is canceled. Twenty-two, ten year Shelter Care Plus Section 8 certificates were committed as a rental subsidy. **Interest Rate:** 6% (conventional tax exempt rates were at 6.75%). **Loan Amount:** $1.2 Million**;** **Units:** 44; **Loan Term:** 30 years; **Funds Used:** Tax-Exempt Bonds; **Additional Funds Leveraged:** 4% tax credits, and the RTC sale of the property to the sponsor for $1.

Duchow Way: This project **sponsored by Mercy Housing,** serves a special needs population of families of incarcerated felons in the Folsom Prisons. 40% of the families are special needs and 60% are non-special needs low income tenants (all tenants below 42% of median income). A wide array of counseling and job training services are being provided by a local hospital and the school system. The sponsor is providing a women's art therapy group, an after-school homework assistance program, computer training classes, a child wellness clinic, a day care and a family oriented health clinic. **Interest Rate:** 3.5% for both the permanent loan and the bridge loan, with a provision to convert the project to a traditional low-income project with an interest rate of 5.9%; **Loan Amount:** $2.4 Million; **Units:** 81; **Term:** 30 years; **Additional Funds Leveraged:** locality support for both capital costs and services, 4% tax credits, AHP; **Source of Funds:** tax-exempt bonds.

Idaho Hotel: A converted hotel, this 29-unit project in El Cerrito **sponsored by Rubicon Programs** provides housing for homeless mentally disabled individuals and homeless people living with HIV/AIDS. The Agency loan allowed for much greater level of rehab. By leveraging twenty-eight, ten year McKinney Act Section (8) rent subsidies, and accepting a pledged future loan pay down by the locality in year 8, CHFA was able to provide an 8 year mortgage that amortizes over 14 years, providing the project long-term financial stability, while allowing the project to accumulate reserves sufficient to operate until year 15 as required by their tax credit investor, in the event the Section 8 certificates are not renewed after year 10. Monies otherwise spent for mortgage debt or reserves allows the project to serve individuals at 20% of median income (SSI).**Interest Rate:** 1% first mortgage and 1% bridge loan; Loan Amount: $1.975 Million**;** **Tenants Served**: 45; **Loan Term:** 8 years, but amortized over 14; **Source of Funds:** Taxable funds; **Additional Resources Leveraged:** 9% tax credits, HOPWA, Locality Tax Increment funds, and McKinney Act Grant for Services.

The ARC at Bay Street: Located in the Fisherman's Wharf Area of San Francisco this 9-unit project provides new in-fill housing for 25 developmentally disabled adults whose sole source of income is SSI (25% of area median). Units will be rented on a per bed basis and residents will be paired with roommates. The **sponsor**, the **ARC of San Francisco**, will provide services to allow the residents to live independently. In addition, there is a separate program for developmentally disabled seniors in a ground floor commercial space, funded by City dollars and a sponsor loan. The CHFA loan will be repaid solely from tenant rents. **Interest Rate:** 1% first mortgage and 1% bridge loan**;** **Loan Amount:** $1.6 Million**;** **Beds**: 25; **Loan Term:** 30 years; **Source of Funds:** Tax-exempt bonds; **Additional Resources Leveraged:** 4% tax credits, Locality Bed Tax Funds, AHP, and a sponsor loan.

The Walter House: Located in the town of Novato in Marin County, this 7 bedroom group home provides permanent housing for 6 developmentally disabled adults whose disabilities are severe enough to require on-site staff assistance at all times they are physically present in the home. The residents sole source of income will be SSI (25% of area median). The **sponsor**, **The Cedars of Marin**, provides a full menu of services to enriched the residents life experiences, and allow them to achieve to their highest potential despite their disabilities. Included in the services are textile arts programs and dramatic arts programs. The CHFA loan will be repaid from tenant rents and project based Section 8 certificates. **Interest Rate:** 1% first mortgage**;** **Loan Amount:** $350,000**;** **Beds**: 6; **Loan Term:** 15 years; **Source of Funds:** Agency Funds; **Additional Resources Leveraged:** $180,000 in private donations and Golden Gate Regional Center supported living subsidies for staffing and services.

Ellis Street Apartments: This fire damaged, unreinforced masonry, 25-unit apartment building in the Tenderloin District in San Francisco, **sponsored by The Tenderloin Neighborhood Development Corporation** will provide housing for 24 young adults, ages 18 to 24, who are homeless or in danger of becoming homeless, many of whom will be recently emancipated foster youth. Six of the units will be reserved for homeless youth with HIV/AIDS. The project has received twenty-four, ten year McKinney Act Section (8) rent subsidies to allow them to serve youth with incomes averaging 35% of area median income. Services will be provided by the Larkin Youth Center. Because of the low income of the residents, and the high level of staffing required at the property, the project can not support any conventional debt. The project is currently competing for 9% tax credits. The CHFA stand-alone Bridge Loan will provide the project with access to an additional $320,000 in tax credit equity and allow for a greater level of rehab. **Interest Rate:** 1% Tax Credit Bridge Loan; **Loan Amount**: $1.781 Million**;** **Tenants Served**: 24; **Loan Term:** 5years; **Source of Funds:** Taxable funds; **Additional Resources Leveraged:** 9% tax credits, Loans, San Francisco In Lieu Fee Program, San Francisco Unreinforced Masonry Loan Program, HOPWA, Locality Loan, Federal Home Loan Bank Affordable Housing Program, and a HUD McKinney Act Suportive Services Grant for Services.

The CHFA Special Needs Program was recently recognized by the National Council of State Housing Agencies (NCSHA) with a *1998 Award for Program Excellence* in the category of Special Housing Needs. At CHFA contact Kathy Weremiuk, (310) 342-1256.